



Investor Presentation

Growing Advanced Alloys

August 7, 2018

NASDAQ: USAP

univstainless.com

Forward Looking Statement



Except for historical information contained herein, the statements in this presentation are forward-looking statements that are made pursuant to the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to differ materially from forecasted results. Those risks include, among others, the concentrated nature of the Company's customer base to date and the Company's dependence on its significant customers; the receipt, pricing and timing of future customer orders; changes in product mix; the limited number of raw material and energy suppliers and significant fluctuations that may occur in raw material and energy prices; risks related to property, plant and equipment, including the Company's reliance on the continuing operation of critical manufacturing equipment; risks associated with labor matters; the Company's ongoing requirement for continued compliance with laws and regulations, including applicable safety and environmental regulations; the ultimate outcome of the Company's current and future litigation and matters; risks related to acquisitions that the Company may make; and the impact of various economic, credit and market risk uncertainties. Many of these factors are not within the Company's control and involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from any future performance suggested herein. Any unfavorable change in the foregoing or other factors could have a material adverse effect on the Company's business, financial condition and results of operations. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company's control. Certain of these risks and other risks are described in the Company's filings with the Securities and Exchange Commission (SEC) over the last 12 months, copies of which are available from the SEC or may be obtained upon request from the Company.

Non-GAAP Financial Measures

Some of the information included in this presentation is derived from the Company's consolidated financial information but is not presented in the Company's financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Some of this data is considered “non-GAAP financial measures” under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliation to the most directly comparable GAAP financial measure is provided.

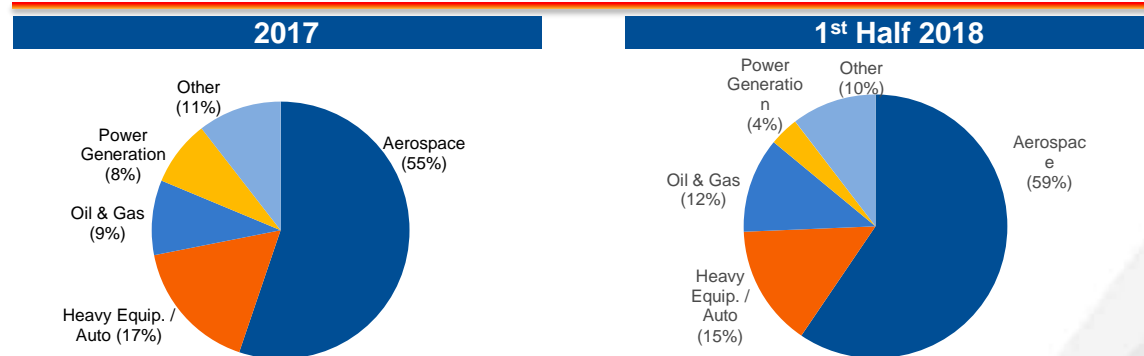
Universal Stainless At a Glance



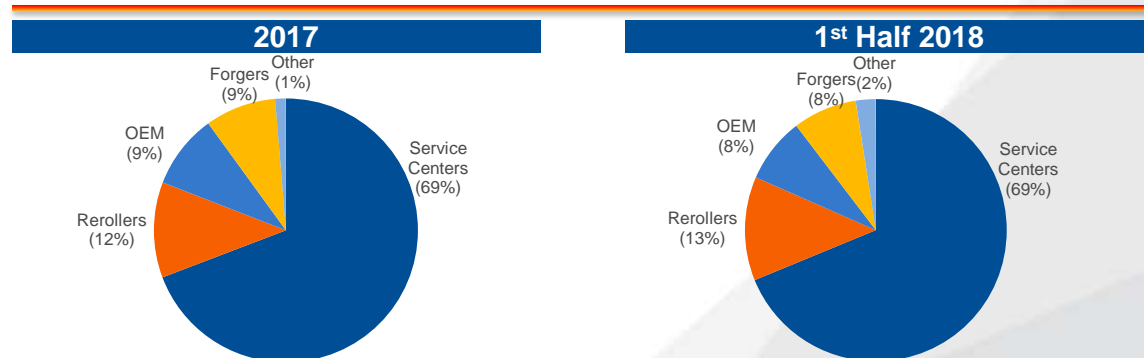
Overview

- Leading manufacturer of specialty steel products focused on creating sustainable value for all stakeholders
- Fully integrated and geographically contiguous operations designed to ensure quality and consistency of products to meet customer demands
- Products are specifically tailored to address the aerospace, heavy equipment / auto, power generation and oil & gas markets through service centers, OEMs, forgers and rerollers

Sales by End Market



Sales by Customer Type



Semi-Finished Products



Ingots



Reroll / Forging Billet



Plate



Bloom Bar



Forged Bar



Rolled Bar



Rod and Wire



Special Shapes

Finished Products

Company History — Transformational Acquisitions; Continuing Expansion in Premium Alloys



Acquired Bridgeville, PA Facility

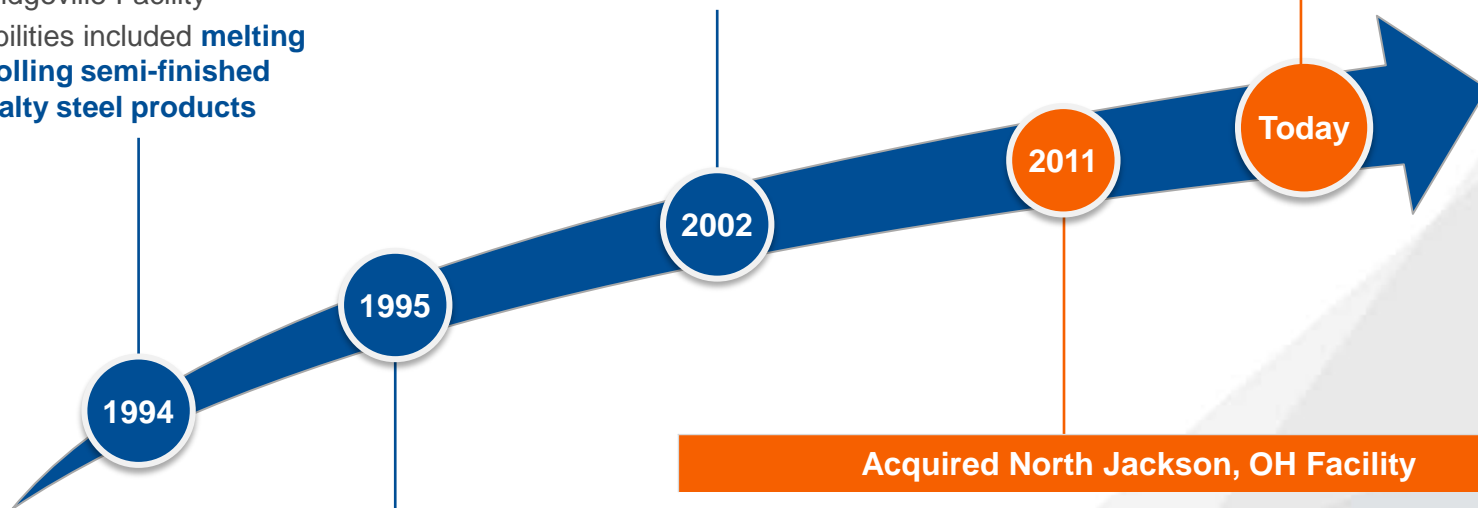
- **Company was founded** in conjunction with the acquisition of the Bridgeville Facility
- Capabilities included **melting and rolling semi-finished specialty steel products**

Acquired Dunkirk, NY Facility

- Purchase of a finishing facility transformed the Company into a **fully integrated manufacturer of specialty steel products**

Poised for Growth

- USAP continues to **grow premium alloy sales** and is **focused on margin expansion** through process integration and improving product mix
- Significant additional **available capacity** to deliver growth



Acquired Titusville, PA Facility

- **Expanded production capability** for aerospace and power generation applications

Acquired North Jackson, OH Facility

- Construction-stage facility with **state-of-the-art** radial forge, Vacuum Induction Melting (VIM) furnace, Vacuum Arc Remelting (VAR) furnaces and other heat treating / finishing equipment — now **fully operational**
- Fast-tracks the Company's move toward **technologically advanced alloys** for aerospace, power generation and oil & gas markets; accelerates profit growth

Strategic Objectives

1 Grow our portfolio of technologically advanced, higher-margin alloys

2 Expand targeted customer approvals for new products

3 Increase and broaden penetration in key, growing end markets

4 Optimize Universal's integrated manufacturing system

5 Targeted capital investment

6 Relentless focus on operational improvement



Acquisition of North Jackson — Fast Track Key Strategic Initiatives

1

Increase USAP Margins

- Improve cycle times, yields company-wide
- Eliminate capacity constraints in re-melting
- Move up value chain with Vacuum Induction Melting (VIM) of technologically advanced premium metals
- Expand product and tolling reach with advanced radial hydraulic forging technology

2

Expand Addressable Markets

- Selected premium alloy markets in aerospace, general industrial, oil & gas & high end manufacturing
- Larger and longer squares, rounds, bars and custom shapes
- International markets

3

Excel in Industry Lead-times and Customer Service

New Customer Approvals Received
2016 — Q2 2018:

41

New Products Developed
January 2017 through Q2 2018:

14

New Products Under Development
as of the end of Q2 2018:

15

Premium Alloys as Percentage
Sales:

1st Half 2017

\$12.6 million in sales
or 12.4%

1st Half 2018

\$23.9 million in sales
or 18.4%

Status Report



Moving Toward Higher-Value Alloys

Acquisition of North Jackson in 2011

- State-of-the-art hydraulic radial forge; VIM furnace
- Added key capabilities in aerospace, power generation and oil & gas applications
 - Successful market entry into aerospace parts, landing gear, helicopter rotor masts and gears, and drill shafts for oil & gas applications

Continue to Penetrate Key End Markets

- Opportunity for continued growth in aerospace due to a more comprehensive product offering
- Oil & gas presents an upside opportunity given market recovery
- Growth in high end industrial applications and infrastructure

Premium Alloys to Drive Margin Accretion

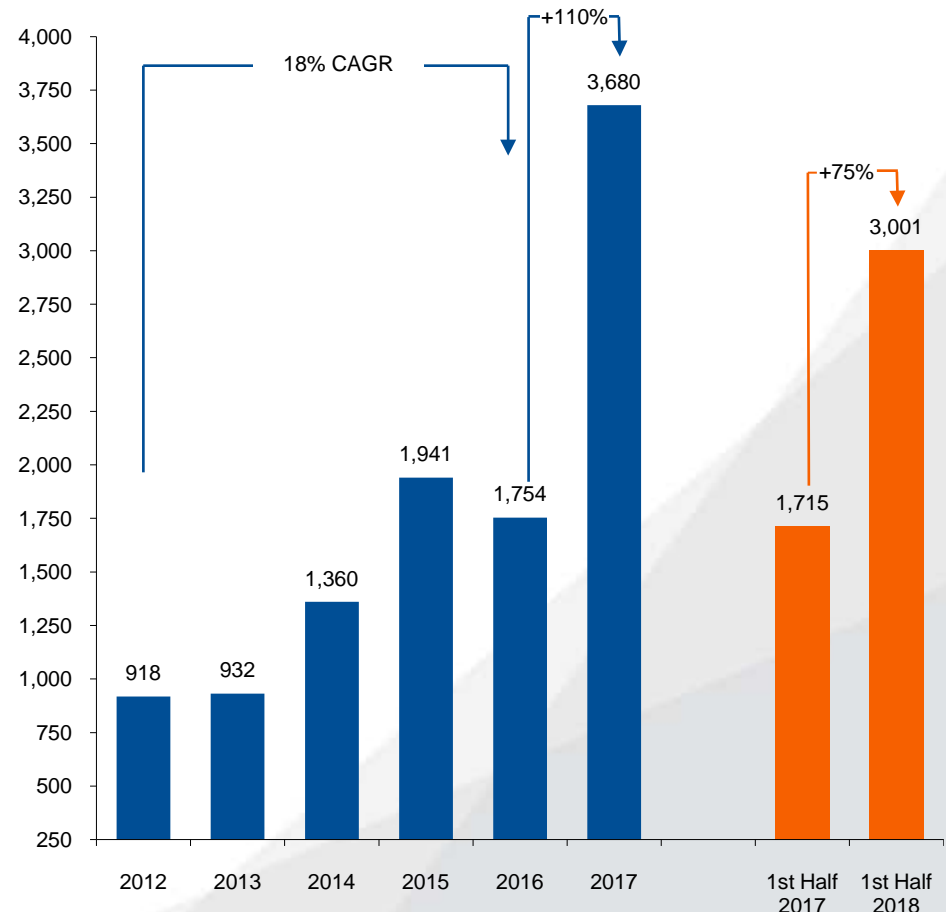
- Continued growth in higher-value premium alloy sales expected to be accretive to gross margin

Strong Momentum for Premium Alloys

- Accelerated sales growth for 1st half 2018 premium alloys, which grew 75.0% compared with 1st half 2017, contributed to overall sales growth

Premium Alloy¹ Sales Have Grown Since 2012

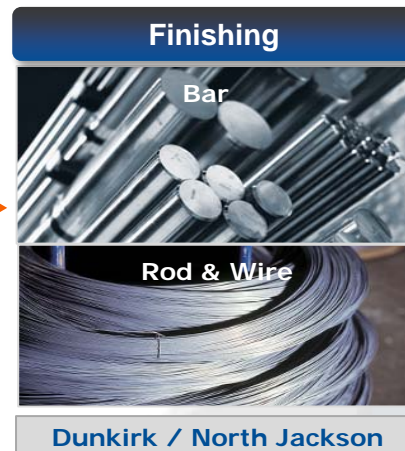
(premium alloy lbs delivered 000's)



1. Premium alloys represent all Vacuum Induction Melted (VIM) products.

Integrated Manufacturing Process

- Delivering a broad set of product offerings starting from either VIM or AOD melt capability
- Consistent operating model; integrated quality systems; sharing best practices



*AOD: Argon Oxygen Decarburization VIM: Vacuum Induction Melting VAR: Vacuum-Arc Remelting ESR: Electro-Slag Remelting

End Markets — Overview

Aerospace



- Airbus / Boeing record backlog equal to ~8 years of production¹
- Passenger traffic growth rate at record levels, driving aftermarket demand
- Industry and our customers are healthy
- Expanding OEM participation



Heavy Equipment / Auto



- Light vehicle production levels are expected to remain strong
- Off-road equipment sector in strong recovery
- Tool steel requirements expected to continue shift to domestic supply



Oil & Gas



- Increasing customer optimism in improving market with recent oil prices (\$65+ per barrel), growing US rig count and better international outlook
- Uptick in oil & gas demand represents an upside opportunity



Power Generation



- Natural gas continues to supplant coal as a source of electricity generation
- Solid maintenance business on higher utilization
- Short term weakness in new turbine market as evidenced by GE & Siemens announcements



Source: Wall Street research, Boeing, Airbus.

1. Years of production is calculated by adding the total backlog for Boeing and Airbus and dividing by the cumulative average annual production for 2018E-2020E.

End Markets — Aerospace

The USAP Opportunity

- Aircraft production growth rates, combined with new customer approvals, are driving increased demand for premium alloys from USAP
- USAP's alloys are used across a variety of aircraft applications, from the airframe to the engines

Aerospace Market Remains Robust

- Airbus and Boeing delivery schedules expected to continue recent growth — combined backlog is equal to ~8 years of production
- Passenger traffic remains strong, growing above 2017 expectations, which is driving strong aftermarket demand for specialty metals
- Defense spending supports specialty metal demand

Illustrative Product Applications in Aerospace



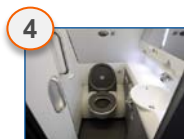
Landing Gear



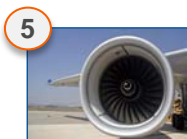
Hydraulic Systems



Hinges & Actuators



Lavatory Flush Systems



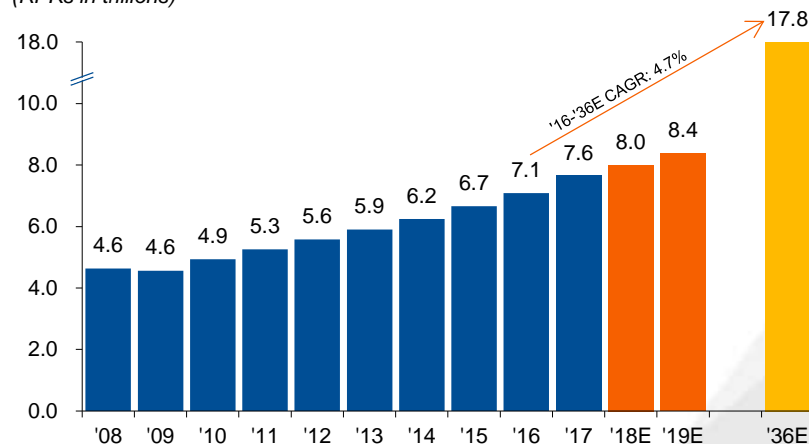
Rings & Casings; Bearings



Forged Titanium Components

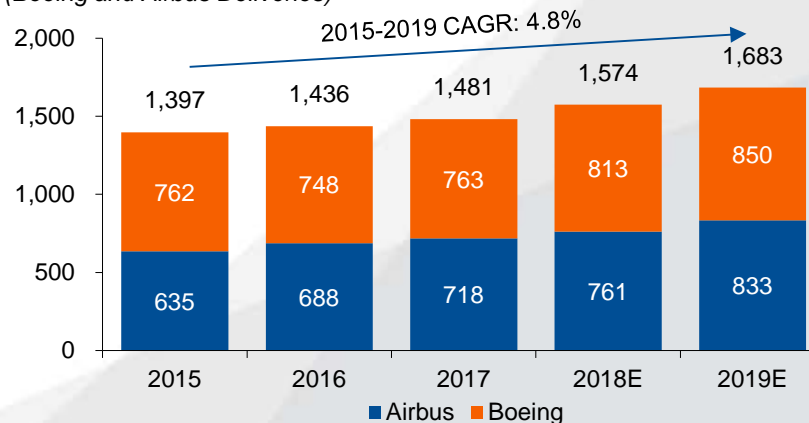
Passenger Traffic Growth Remains Strong (RPK)¹

(RPKs in trillions)



Robust Aircraft Delivery Schedule

(Boeing and Airbus Deliveries)



Source: Wall Street research, IATA, Boeing Current Market Outlook 2017-2036.

1. Revenue per Kilometers figures are estimates based on historical figures and forecasted RPK growth rates.

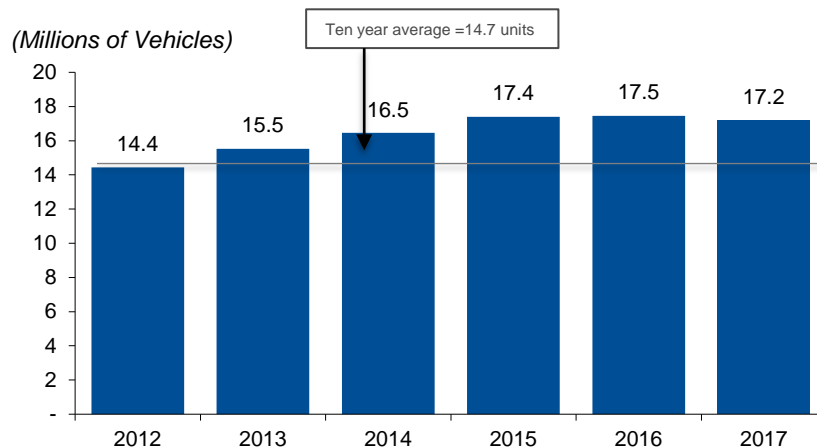
The USAP Opportunity

- While opportunity for tool steel is primarily driven by the auto sector, off-road / large vehicles also require significant tooling
- Demand for tool steel is heavily correlated with cadence of new model introductions — new models require OEMs to re-tool factories
- Higher unit production levels also drive demand, as re-tooling is required for existing models

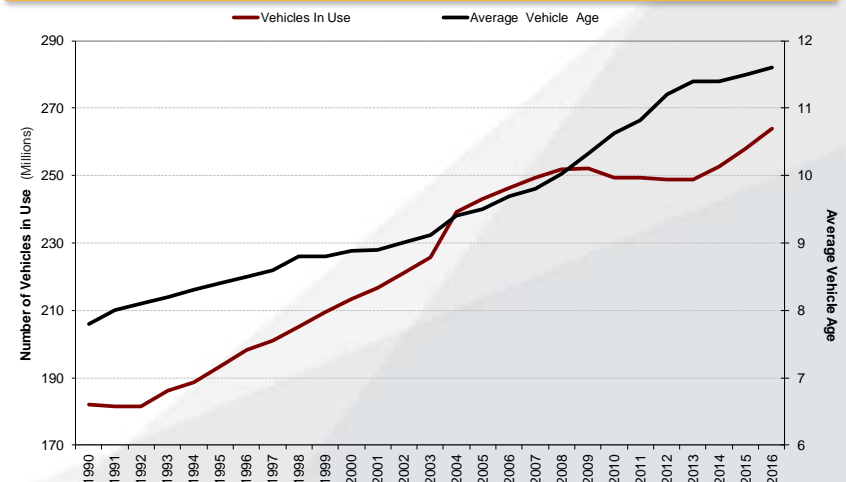
Positive Demand Dynamics for Tool Steel

- New model introductions are expected to accelerate in the next few years, bolstering tool steel demand
- Strong levels of North American light vehicle production averaged 17.2 million for the 1st half of 2018; 17% greater than the ten year average production rate
- Average age of light vehicles continues to increase. However, this is expected to plateau given anticipated ramp in future light vehicle sales
- Continued growth in off-road equipment sales in 2018 (i.e. Caterpillar)
- Share capture from imported tool steel product

Robust U.S. Light Vehicle Sales



U.S. Light Vehicle Population and Avg Vehicle Age



Source: Wall Street Research, U.S. Bureau of Economic Analysis, Light Weight Vehicle Sales retrieved from Federal Reserve Bank of St. Louis as of December 2017.

The USAP Opportunity

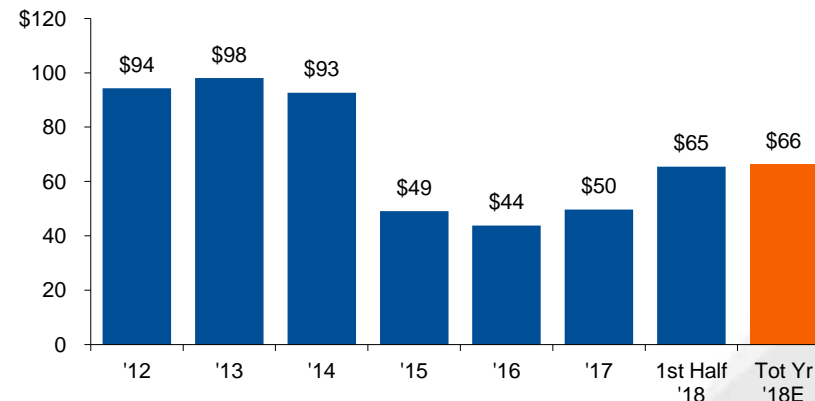
- Oil & gas sales have accounted for ~10% of revenue since 2013 — Oil & gas market recovery continues
- Expanded North Jackson high-value product offering; positioned to seize opportunities in oil & gas market

Oil & Gas Recovery Continues, but Remains Below 2014 Highs

- Current oil prices in \$65+/bbl range recently up ~50% since bottoming in 2016
- Firmer commodity prices are driving higher rig counts and drilling activity; Q2 average US rig count up 7.7% vs. PY

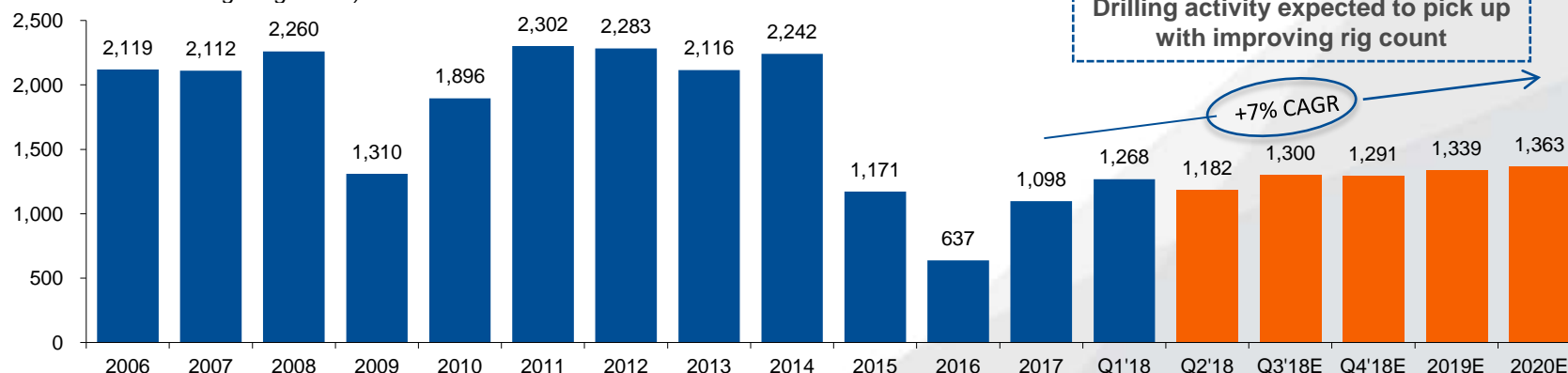
Oil Prices Appear to be Stabilizing

(WTI Crude \$ / bbl)



Rig Count Expected to Gradually Recover¹

(North American Average Rig Count)



Source: Wall Street research, Capital IQ, Baker Hughes, U.S. EIA and Bloomberg Estimates as of April 2018.

1. 2006-2016 Average Rig Count is the sum of the average weekly and monthly rig counts for the U.S. and Canada, respectively. 2017-2020E sourced through Wall Street research.

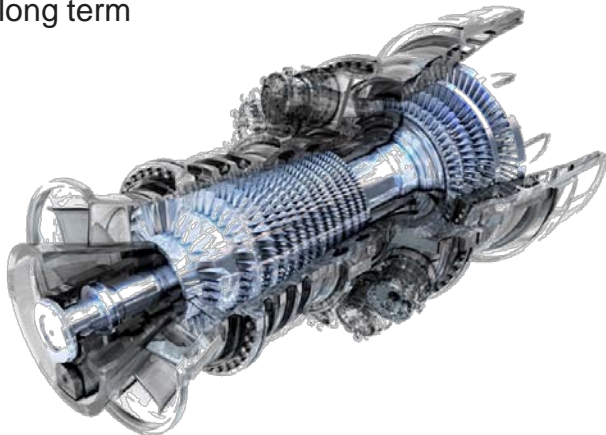
End Markets — Power Generation

The USAP Opportunity

- Continued emphasis on increased efficiency and reduced emissions necessitate higher operating temperatures and therefore more advanced alloys
- USAP's specialty and premium alloys are used in critical gas-powered turbine components

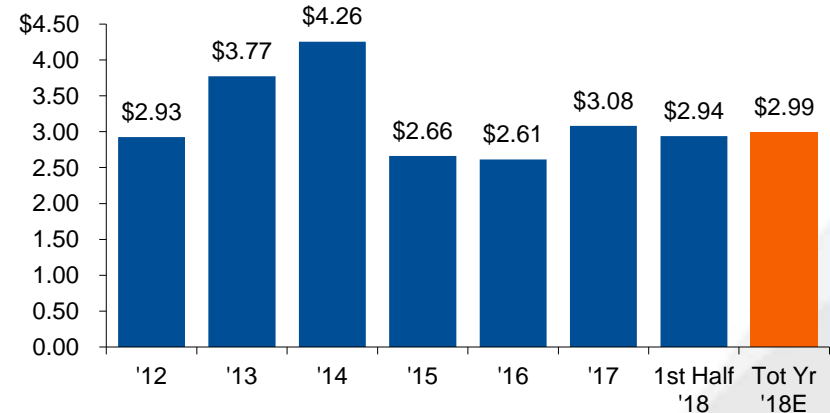
Shift Toward Natural Gas Power Generation

- Natural gas continues to supplant coal as a leading fuel for electricity generation, led by demand from the industrial and electric power sectors
- By 2040, natural gas is expected to account for nearly 40% of U.S. power generation
- Current demand is driven primarily by maintenance business — upside potential from new turbine market in the long term



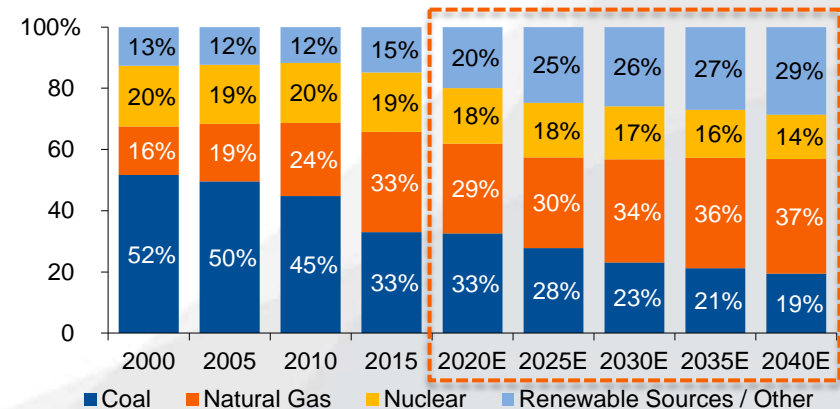
Natural Gas Prices Support Shift to Gas Turbines

(Henry Hub \$ / mm BTU)



Paradigm Shift from Coal to Natural Gas

(Power Generation by Fuel Type % of Total)



Source: Capital IQ, U.S. Energy Information Administration Annual Energy Outlook – Reference Case (2017), Bloomberg Estimates as of April 2018.

Universal Stainless — Advancing Our Position to Serve Clients and Achieve Profitable Growth



Successful progress in strategy execution has strengthened operations, expanded product offerings

Transformative acquisition of North Jackson expands addressable markets & moves up value chain in products

Growing ability to capture aerospace, oil & gas, and power generation opportunities and better serve all end markets

Commitment to responsible capital investment supported by solid operating cash flow and balance sheet

Experienced **management team relentlessly focused** on operational improvement, customer service & profitable growth





Financial Performance Review



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Common Stock Offering Summary



Background

- In the 2018 second quarter Universal Stainless issued 1.4M shares of registered company stock via registered public offering
- Total shares issued increased the Company's outstanding shares by ~19%
- Following the equity issuance outstanding shares approximate 8.7M

Proceeds

- Gross proceeds approximated \$34.5M
- Net proceeds after underwriter's fees and other expenses approximate \$32.3M

Pricing

- Public offering share price \$24.50
- Last reported sale price prior to offering totaled \$28.02
- Offering discount - 12.6%

Purpose

- Deleveraging; proceeds used to reduce borrowings under senior secured revolving credit facility

Underwriter

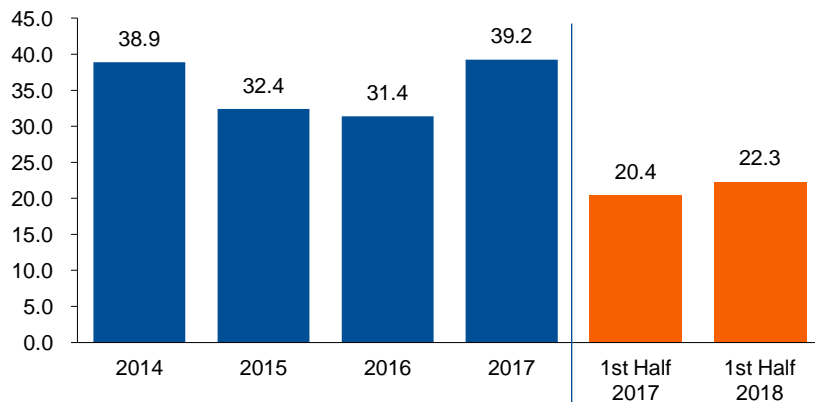
- Cowen and Company, LLC (Cowen) acted as sole book runner and underwriter

Historical Financial Performance

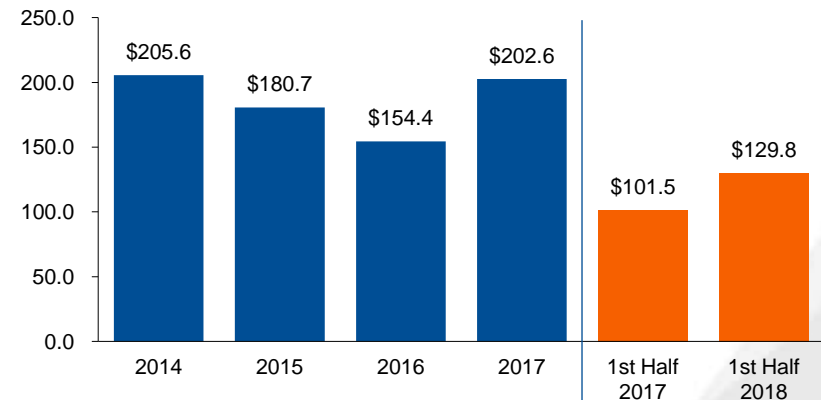
Notes

- Net sales increase of 27.9% for 1st half 2018 driven by improvements in nearly all end markets compared with PY
- Accelerated sales growth for 1st half 2018 premium alloys, which grew 89.5% compared with 1st half 2017, contributed to overall sales growth
- Improved average dollar per ton shipped in 1st half 2018 was primarily a result of increased sales of higher value premium alloys

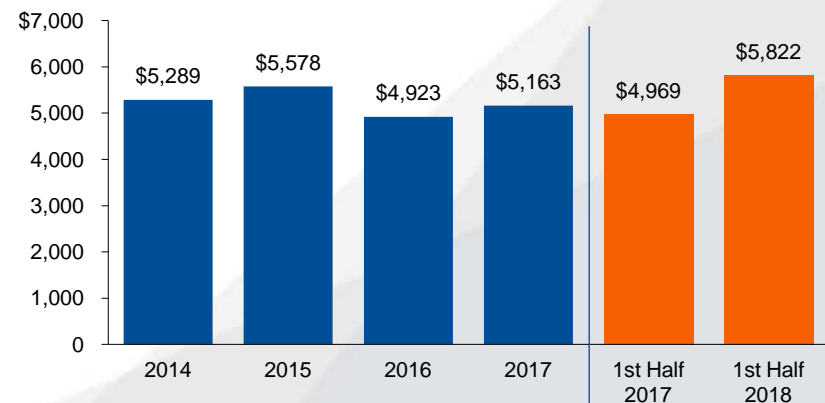
Shipments (k tons)



Net Sales (\$mm)



Average Net Sales (\$ per ton)

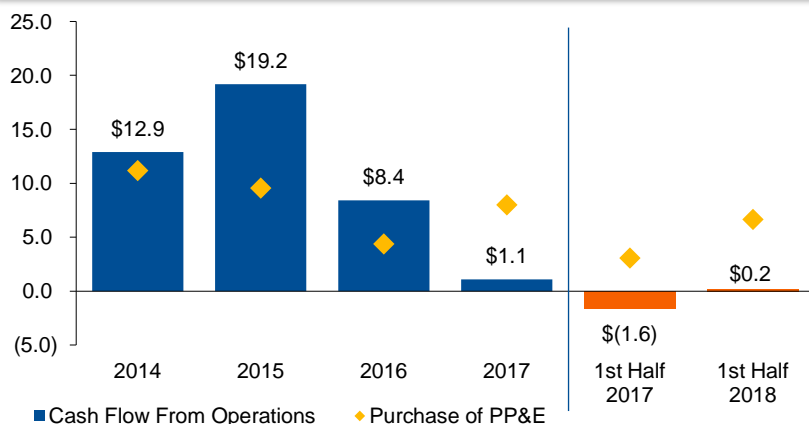


Historical Financial Performance (Cont.)

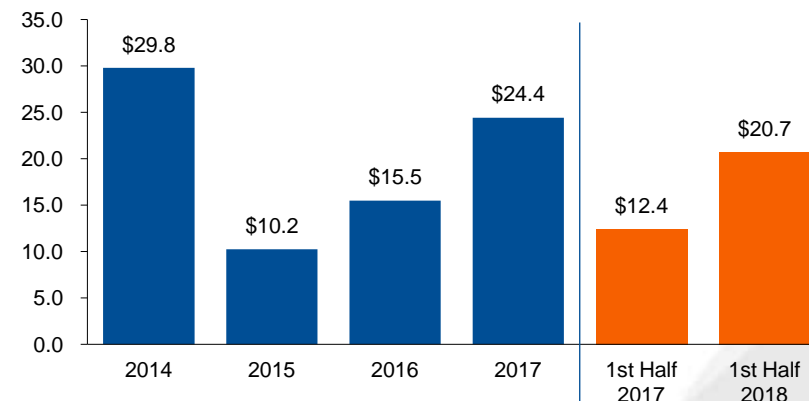
Notes

- Increase in 1st half 2018 EBITDA driven by top-line growth, operational productivity enhancements, improved operating leverage and favorable product mix
- Capex remains focused on high-return manufacturing enhancements and maintenance projects
- In 1st half 2018 Cash Flow from Operations was impacted by working capital increase to support topline growth
 - Increased sales drove \$10.8 million in Accounts Receivables
 - Inventory increased \$10.1 million on increased backlog

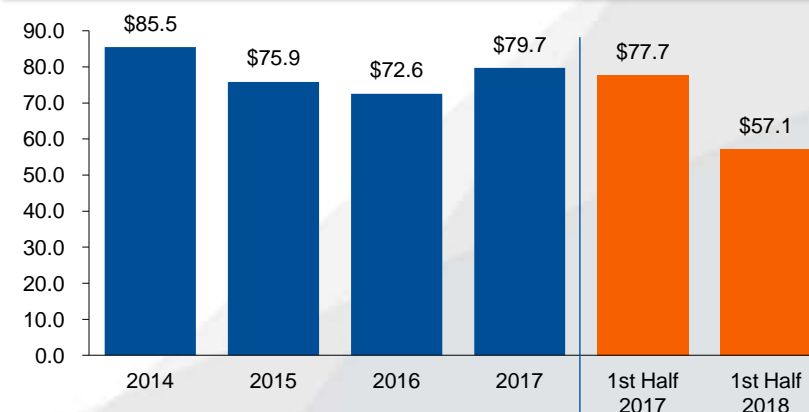
Cash Flow From Operations and Capex (\$mm)



Adjusted EBITDA¹ (\$mm)



Total Debt² (\$mm)

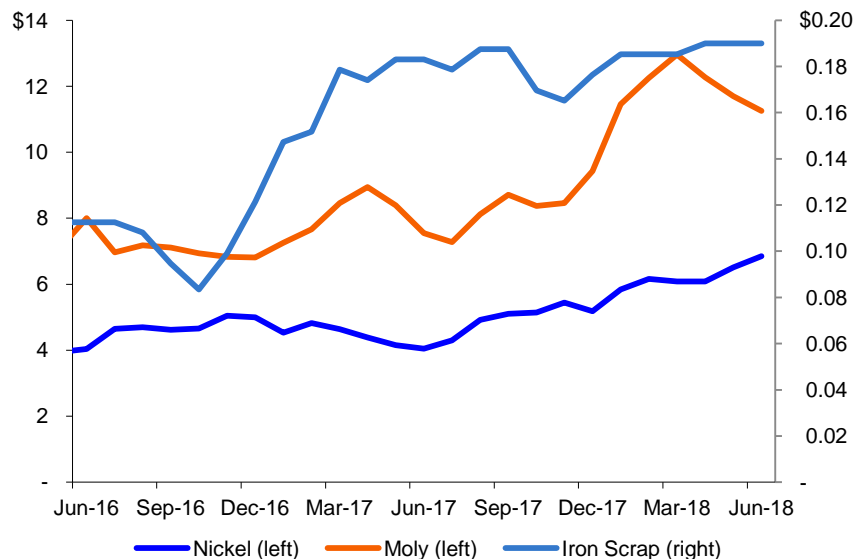


1. See page 23 for reconciliation to GAAP Net Income.
2. Represents Long-Term Debt plus Current Portion of Long-Term Debt less Deferred Financing Costs. 1st half '18 includes Long-Term NMTC Liability of \$2.8m.

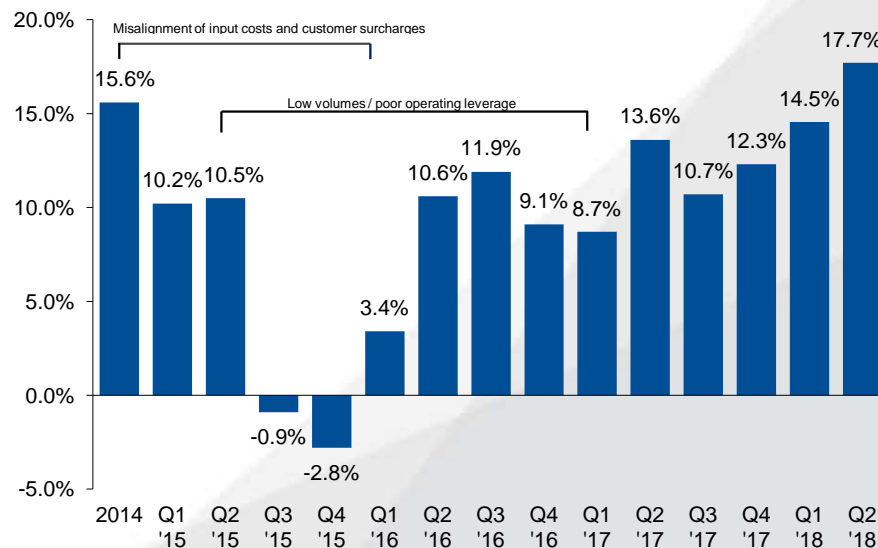
Commodities & Gross Margin %

- Gross margin increase in recent quarters was primarily attributable to operational productivity enhancements, improved operating leverage combined with significant improvement in the alignment of customer surcharges and commodity input costs
- Recent increases in core commodities resulted in improved alignment of input costs and customer surcharges
- Gross margin for Q2 2018 positively impacted by increased shipments, primarily in the aerospace market which consists of premium alloy products

Commodity Price Per Pound



Gross Margin %



Source: Internal Company Commodity Analysis.

Universal Stainless — A Leader in Specialty Metals



Leading Manufacturer of Specialty Steel Products

**Fully Integrated, Geographically Contiguous Operations
Improve Supply Chain Efficiency**

Transitioning to Higher-Value Premium Alloy Sales

**Well-Positioned to Further Penetrate Attractive End
Markets**

Meaningful Leverage to Improving Market Environment

**Significant Financial Flexibility Provided by Recent
Financing**

**Experienced Management Team Relentlessly Focused on
Operational Improvement, Customer Service and Safety**



Appendix



Adjusted EBITDA Reconciliation to GAAP Net Income



(\$ in thousands)	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>1st Half 2017</u>	<u>1st Half 2018</u>
Net (loss) income	\$ 13,242	\$ 18,122	\$ 14,617	\$ (4,062)	\$ 4,050	\$ (20,672)	\$ (5,347)	\$ 7,610	\$ 9	\$ 6,163
Interest Expense	435	1,265	2,284	2,598	3,035	2,324	3,659	4,022	1,959	2,339
Provision (benefit) for income taxes	6,821	10,356	6,334	(2,504)	3,149	(12,144)	(3,526)	(7,601)	107	1,916
Depreciation and amortization	<u>5,486</u>	<u>8,851</u>	<u>14,368</u>	<u>16,280</u>	<u>17,476</u>	<u>18,608</u>	<u>18,533</u>	<u>18,823</u>	<u>9,365</u>	<u>9,613</u>
EBITDA	\$25,984	\$38,594	\$37,603	\$12,312	\$27,710	\$(11,884)	\$ 13,319	\$ 22,854	\$ 11,440	\$ 20,031
Adjustments to EBITDA										
Share-based compensation expense	1,819	1,580	1,649	1,827	2,082	1,865	1,405	1,564	971	678
Write-off of deferred financing costs	-	-	-	-	-	-	768	-	-	-
Goodwill impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted EBITDA	<u>\$27,803</u>	<u>\$40,174</u>	<u>\$39,252</u>	<u>\$14,139</u>	<u>\$29,792</u>	<u>\$ 10,249</u>	<u>\$ 15,492</u>	<u>\$ 24,418</u>	<u>\$ 12,411</u>	<u>\$ 20,709</u>

Adjusted EBITDA is not a recognized term under GAAP and does not purport to be an alternative to our net (loss) income determined in accordance with GAAP. We believe that Adjusted EBITDA provides information that is useful to investors because it allows for a more direct comparison of our performance for the period reported with our performance in prior periods. Because all companies do not use identical calculations, the presentation of our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.



Questions & Answers

Thank You!



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